

Investors Bank B.S.C. (c)

INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2009

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF INVESTORS BANK B.S.C. (c)

Introduction

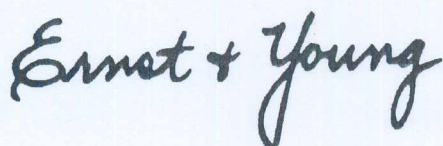
We have reviewed the accompanying interim condensed financial statements of Investors Bank B.S.C. (c) ["the Bank"] as at 30 September 2009, comprising of the interim statement of financial position as at 30 September 2009 and the related interim statements of income, cash flows, changes in equity and changes in restricted investment accounts for the nine month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies in note 2.



9 November 2009

Manama, Kingdom of Bahrain

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2009 (Unaudited)

	30 September 2009 US\$	(Audited) 31 December 2008 US\$
ASSETS		
Cash and balances with banks	790,793	2,557,184
Trading investments	7,844,493	5,738,750
Available-for-sale investments	22,634,154	21,252,382
Murabaha receivables	-	3,243,848
Mudaraba investment	-	4,000,000
Receivable from Mudarib	4,464,281	6,127,801
Receivable from sale of investments	11,179,369	11,846,542
Deferred payment sale receivables	3,680,203	3,680,203
Investment property	22,315,341	10,742,443
Assets held-for-sale	5,875,200	6,797,782
Other assets	9,279,254	17,460,260
Property and equipment	8,478,084	1,579,576
TOTAL ASSETS	96,541,172	95,026,771
LIABILITIES AND EQUITY		
Liabilities		
Due to a financial institution	3,670,202	3,670,202
Murabaha payable	3,229,064	3,229,064
Other liabilities	407,193	454,453
Total liabilities	7,306,459	7,353,719
Equity		
Share capital	80,000,000	80,000,000
Statutory reserve	7,409,515	7,409,515
Investments fair value reserve	3,988,264	2,959,559
Accumulated losses	(2,163,066)	(2,696,022)
Total equity	89,234,713	87,673,052
TOTAL LIABILITIES AND EQUITY	96,541,172	95,026,771
OFF-BALANCE SHEET ITEMS		
Restricted investment accounts	16,239,831	16,646,823

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 9 November 2009.



Dr. Abdulaziz Al Bader
Chairman



Isa Abdulla Al-Mannai
Director

The attached notes 1 to 5 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF INCOME

For the nine months ended 30 September 2009 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Income from trading investments	-	-	25,704	1,020,766
Income from available-for-sale investments	-	21,366	16,965	253,299
Fair value gain / (loss) on trading investments	(844,178)	(12,419,400)	2,105,744	(12,559,549)
Fair value loss on available-for-sale investments	-	(1,417)	-	(540,770)
Income from murabaha contracts	-	40,548	-	130,428
Income from mudaraba investment	-	-	63,680	192,452
Net (loss) / income from asset held-for-sale	(922,405)	-	(1,054,475)	1,411,517
Net income from investment property	198,939	-	198,939	-
Other income	72,166	(206,482)	1,289,088	1,843,815
NET (LOSS) INCOME	(1,495,478)	(12,565,385)	2,645,645	(8,248,042)
Staff cost	331,782	395,165	1,041,690	1,106,644
Administrative and general expenses	127,211	120,581	474,614	599,942
Impairment loss on available-for-sale investments	-	41,953	-	41,953
Depreciation	239,886	118,977	596,385	354,830
TOTAL EXPENSES	698,879	676,676	2,112,689	2,103,369
(LOSS) PROFIT FOR THE PERIOD	(2,194,357)	(13,242,061)	532,956	(10,351,411)

The attached notes 1 to 5 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2009 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	<i>30 September</i>
	<i>2009</i>	<i>2008</i>
	<i>US\$</i>	<i>US\$</i>
OPERATING ACTIVITIES		
Dividends received	36,138	216,342
Placement fees received	50,000	-
Income from Murabaha contracts	-	130,428
Purchase of trading investments	-	(941,509)
Purchase of available-for-sale investments	(492,461)	(8,609,692)
Proceeds from sale of trading investments	-	148,150
Proceeds from sale of available-for-sale investments	145,897	239,119
Collections of receivable from sale of investments	-	1,494,006
Payments for operating and other expenses	(1,539,923)	(1,535,715)
Employee qard hasan and advances, net	(66,459)	22,094
Refund of payments to managing director	-	1,000,000
Cash flows used in operating activities	(1,866,808)	(7,836,777)
INVESTING ACTIVITIES		
Purchase of property and equipment	(49,995)	(358,353)
Proceeds from disposal of property and equipment	8,721	52,520
Registration fees paid	(139,736)	(141,803)
Rent received	281,427	-
Cash flows from / (used) in investing activities	100,417	(447,636)
FINANCING ACTIVITY		
Collection of receivable from mudarib	-	5,768,373
Cash flows from financing activity	-	5,768,373
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,766,391)	(2,516,040)
Cash and cash equivalents at 1 January	2,557,184	9,631,572
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	790,793	7,115,532

The attached notes 1 to 5 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2009 (Unaudited)

	Share capital US\$	Statutory reserve US\$	Investments fair value reserve US\$	Retained earnings / Accumulated losses US\$	Total US\$
Balance at 1 January 2009	80,000,000	7,409,515	2,959,559	(2,696,022)	87,673,052
Profit for the period	-	-	-	532,956	532,956
Fair value gain during the period	-	-	1,028,705	-	1,028,705
Balance as at 30 September 2009	80,000,000	7,409,515	3,988,264	(2,163,066)	89,234,713
Balance at 1 January 2008	80,000,000	7,409,515	10,263,817	32,191,742	129,865,074
Loss for the period	-	-	-	(10,351,411)	(10,351,411)
Fair value loss during the period	-	-	(1,127,775)	-	(1,127,775)
Balance as at 30 September 2008	80,000,000	7,409,515	9,136,042	21,840,331	118,385,888

INTERIM STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

	Balance at 1 January 2009			Movements during the period				Balance at 30 September 2009			
	No of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	Investment profit/ (loss) US\$	Bank's fees as agent US\$	Administration expenses US\$	No of units of units (000)	Average value per share US\$	Total US\$
Receivable from Lotus Air Ltd	-	-	317,689	-	-	-	-	-	-	-	317,689
Investments in International											
Investment Group K.S.C.C.	12,887	0.44	5,670,202	-	-	-	-	-	12,887	0.44	5,670,202
(note 2 below)											
Portfolio managed by the Bank											
(Gulf Monetary Group shares)	142,059	0.08	10,658,932	-	(406,992)	-	-	-	142,059	0.07	10,251,940
			16,646,823		(406,992)						16,239,831

2 On the instructions of a restricted investment account holder, a related party, the Bank has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Investment Group K.S.C.C ('IIG'). The Bank then entered into a deferred payment sale agreement with the restricted investment account holder for sale of these shares. However, due to a legal dispute with the financial institution, the Bank could not effect the transfer of the IIG shares to the restricted investment account holder.

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the nine months ended 30 September 2009 (Unaudited)

	Balance at 1 January 2008		Movements during the period					Balance at 30 September 2008			
	No of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	Investment profit/ (loss) US\$	Bank's fees as an agent US\$	Administration expenses US\$	No of units (000)	Average value per share US\$	Total US\$
Receivable from Lotus Air Ltd	-	-	317,689	-	-	-	-	-	-	-	317,689
Investments in International Investment Group K.S.C.C. (note 2 below)	12,887	0.44	5,670,202	-	-	-	-	-	12,887	0.44	5,670,202
Portfolio managed by the Bank (Gulf Monetary Group shares)	142,059	0.08	10,720,146	-	289,647	-	-	-	142,059	0.08	11,009,793
			<u>16,708,037</u>		<u>289,647</u>						<u>16,997,684</u>

1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 30 September 2008 are carried net of a provision for impairment amounting to US\$ 282,311 (2007: US\$ 282,311).

2 On the instructions of a restricted investment account holder, a related party, the Bank has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Investment Group K.S.C.C ('IIG'). The Bank then entered into a deferred payment sale agreement with the restricted investment account holder for sale of these shares. However, due to a legal dispute with the financial institution, the Bank could not effect the transfer of the IIG shares to the restricted investment account holder.

1 INCORPORATION AND ACTIVITIES

Investors Bank B.S.C (c) ["the Bank"] was incorporated on 26 October 1997, under commercial registration number 39646 as an Exempt Company. The legal status of the Company was subsequently changed to Bahrain Joint Stock Company (closed) on 3 July 2005. The Bank's registered office is Seef Star Building, Seef District, PO Box 11818, Manama, Kingdom of Bahrain. The Bank operates under a Wholesale Islamic Banking Licence issued by the Central Bank of Bahrain ["the CBB"].

The principal activities of the Bank include investment banking and financial activities, investment transactions, participating in equity investments in projects in conformity with Shari'a. The Bank may, in particular, carry on the following business activities.

- a) Providing investment account facilities;
- b) Accepting restricted or unrestricted investment funds commingling the same with those of the Bank and investing them in accordance with Shari'a;
- c) Managing investment of third parties as an agent for a fixed fee as a Mudarib and any other banking activities not contravening the provisions of Shari'a;
- d) Industrial, commercial and agricultural business activities, either directly or through companies which the Bank may establish, or in which the Bank may acquire shares; and
- e) Purchasing, leasing and constructing buildings, and their renting thereof.

2 BASIS OF PREPARATION

These interim condensed financial statements have been prepared using accounting policies which are in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"]. For matters for which no AAOIFI standards exist, including interim financial reporting, the Bank uses the relevant International Financial Reporting Standard ["IFRS"] issued by the International Accounting Standards Board. The accounting policies applied in these interim condensed financial statements are consistent with those applied in the financial statements for the year ended 31 December 2008.

The interim condensed financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2008.

Results for the nine month period ended 30 September 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

3 CYCLICALITY OF OPERATIONS

Due to the nature of the Bank's operations, the nine month results reported in these interim condensed financial statements may not represent a proportionate share of the overall annual results.

4 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, Shari'a Supervisory Board, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group.

Investors Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

4 RELATED PARTY TRANSACTIONS (continued)

The significant balances with related parties were as follows:

	30 September 2009 US\$	31 December 2008 US\$
Assets		
Trading investments	7,573,228	5,451,147
Available-for-sale investments	8,784,149	8,338,922
Murabaha receivables	-	3,243,848
Mudaraba investment	-	4,000,000
Receivables from sale of investments	11,179,369	11,846,542
Deferred payment sale receivables	3,680,203	3,680,203
Receivable from Mudarib	4,464,281	6,127,801
Other assets:		
Current account with related parties	5,959,791	14,163,730
Dividend receivable	1,711,314	1,779,251
Liabilities		
Murabaha payable	3,229,064	3,229,064
Other liabilities	54,716	-

The Bank has investments in companies of certain shareholders. The carrying amounts of such investments at 30 September 2009 were US\$ 247,368 (31 December 2008: US\$ 252,280).

The significant transactions in respect of related parties were as follows:

	Nine months ended	
	30 September 2009 US\$	30 September 2008 US\$
Fair value gain / (loss) on trading investments	2,122,082	(12,459,955)
Income from trading investment	-	1,007,824
Income from mudaraba investment	63,680	192,452
Other income	1,897,619	1,000,569
Shari'a Supervisory Board	24,589	39,759

Compensation of key management personnel is as follows:

	Nine months ended	
	30 September 2009 US\$	30 September 2008 US\$
Short term employee benefits	269,558	241,489
Termination benefits	12,414	12,414
Total compensation of key management personnel	281,972	253,903

5 SETTLEMENT OF RELATED PARTY BALANCES

During the current period, the Bank realised its mudaraba investment and murabaha receivables and partly realised its receivable from mudarib and current accounts of US\$ 18,940,621, from related parties. In exchange, the Bank received investment property of US\$ 11,646,191 and tangible non-current asset of US\$ 7,294,430 as consideration in kind.